

## **CORRECTED FISCAL NOTE**

### **HB 2855 - SB 3010**

March 14, 2006

**SUMMARY OF BILL:** Authorizes employers to deduct, from excise taxes, 25% of the value of health insurance premiums that are paid by the employer for an employee who received TennCare benefits within five years that such health premiums are paid by the employer.

#### **ESTIMATED FISCAL IMPACT:**

On March 3, 2006, we issued a fiscal note which indicated that there would be a *decrease in state revenues which exceeds \$500,000 and a not significant increase in state expenditures*. Based on additional information, the estimated fiscal impact of this bill is:

**(Corrected)**

**Decrease State Revenues – Exceeds \$500,000**  
**Increase State Expenditures – Not Significant**

**Other Fiscal Impact – It is possible that declines in revenue may be offset to some degree by secondary effects, such as a reduction in TennCare expenditures resulting from employers hiring TennCare enrollees to gain the tax deduction and businesses that currently employ TennCare enrollees increasing the amount paid towards health care premiums to gain the tax deduction. Any such effects are not sufficiently measurable to be included in the quantifiable fiscal impact of this bill.**

Assumptions:

- The amount of decrease to state revenues is contingent on the number of disenrolled individuals from the TennCare program that find employment that provides health benefits which is undeterminable but is estimated to exceed \$500,000.
- Of the approximately 191,000 individuals who were disenrolled, an estimated 15% would find employment that provides health benefits resulting in 28,650 tax credits that would be given.
- On average, approximately 10% of wage and salary compensation is devoted to health insurance. If the 28,650 employees earned \$8.50 per hour, they would earn approximately \$17,680 per year. The average compensation devoted to health insurance for the employees is estimated at \$50,653,200 (28,650 X \$17,680 X .10) or \$1,768 per employee.

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- Employers would take 25% of the amount of health insurance premiums that are paid which is estimated to be \$12,663,300 (\$50,653,200 X .25) in net earnings which can be deducted from the employers' excise tax.
- 6.5% of the total net earnings that can be deducted from the employers' excise tax would result in a decrease in state revenues of \$823,115.
- There would not be a significant increase in expenditures to career centers to give priority in training to TennCare disenrollees.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director